

Before the
FEDERAL COMMUNICATIONS COMMISSION
 Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Access Charge Reform for Incumbent)
 Local Exchange Carriers Subject to)
 Rate-of-Return Regulation)

CC Docket No. 98-77

REPLY COMMENTS

BellSouth Corporation and BellSouth Telecommunications, Inc. ("BellSouth") hereby submit their Reply Comments in the above referenced proceeding.

This proceeding begins for rate-of-return local exchange carriers ("LECs") the process of access charge reform, a process which continues for price cap LECs. Access charge reform is a critical step that is essential to bringing the Commission's rules in line with the competitive market conditions that exist. The simple fact of the matter is that when the access charge rules were first adopted fifteen years ago, circumstances in the telecommunications market were vastly different. While many of the same public policy issues remain present, *e.g.*, universal service and efficient use of the local network, market conditions mandate that the Commission adopt a more flexible and market-based approach toward access charges for rate-of-return LECs.

Although circumstances between rate-of-return LECs and price cap LECs may not be identical, the growing competitive conditions call for a market-oriented approach to regulation. To do anything else would penalize incumbent LECs immediately and, in the long-run, consumers. Without pricing flexibility and a more market-based approach to access charges, the

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Commission cannot establish conditions that provide incentives to invest in new technologies or encourage efficient use of local networks. Yet, these are important elements if prices are to be reduced in the long run and consumers, particularly in rural areas, are to have access to advanced telecommunications services.

The Commission must resist the temptation to treat this proceeding as having a single objective—to reduce access charges. The immediate “gratification” that might be achieved from reducing access charges does nothing to address the fundamental imbalances that are present in the access charge rules. Nor would an access charge reduction lay the foundation for creating incentives to invest in new technologies. Good public policy requires more than just taking steps to reduce rates.

USTA has presented an approach to access reform that lays the foundation for long-term investment and growth. The plan recognizes the presence of a competitive environment and seeks to improve regulation consonant with the emerging economic realities. The plan proposes to put in place a more economically sound approach to the recovery of nontraffic sensitive costs. Likewise it addresses pricing flexibility that is essential to enabling incumbent LECs to exhibit the same market behaviors as its competitors.

Accordingly, BellSouth endorses USTA’s proposal. The proposal is well reasoned and supported by economic evidence. It provides a solid foundation upon which to base a public

policy that seeks to encourage investment and the availability of new technologies to the widest spectrum of users.

Respectfully submitted,

BELLSOUTH CORPORATION
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By:



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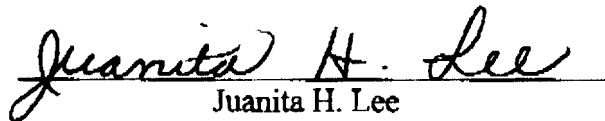
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Date: September 17, 1998

CERTIFICATE OF SERVICE

I do hereby certify that I have this 17th day of September 1998 served the following parties to this action with a copy of the foregoing REPLY COMMENTS by hand delivery or by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed on the attached service list.



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